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PACIFIC X TELESIS
Group-Washington

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF THE SECRETARY

EX PARTE

William F. Caton
Acting Secretary
Federal Communications Commission
Mail Stop 1170
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Dear Mr. Caton:

Re: CC Docket No. 95-115 - Subscribership and Usage of the Public Switched Network; RM-
8159 - BETRS

Today, Colin Petheram, Consumer Affairs Director, Lifeline Service, Outreach, Pacific Telesis Group, Jackie Luzier, Director, Revenue Collection Management, CFO Financial Operations, Pacific Bell, Jeffrey B. Thomas, Senior Counsel, Legal Department, Pacific Bell, and I met with Todd Silbergeld, Legislative Assistant to Commissioner Barrett to discuss issues summarized in the two enclosed attachments. Please associate these with the above referenced proceeding.

We are submitting two copies of this notice in accordance with Section 1.1206(a)(1) of the Commission's Rules.

Please stamp and return the provided copy to confirm your receipt. Please contact me should you have any questions or require additional information concerning this matter.

Sincerely,



cc: Todd Silbergeld

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Strategies to Increase Telephone Subscribership

Key Points

- Retention of telephone service is the primary issue
- Low basic rates do not guarantee high penetration rates
- Innovative approaches needed by carriers at the state level to address specific needs of diverse market segments and state to state variations
- Customers need help managing their calls. Carriers are developing products and services to address this root cause of disconnection

Telephone Subscribership

- Pacific Bell's overall subscribership rate is 95%
(Current Population Survey)
- Pacific Bell's Lifeline Program is the largest in the country with 22% of residential customers subscribing
- Subscribership rates vary by income & ethnicity
- Size and diversity of California's non-English speaking communities drive extensive non-traditional advertising and outreach
- Pacific Bell's Education First program provides schools with initial ISDN connection and free first year service

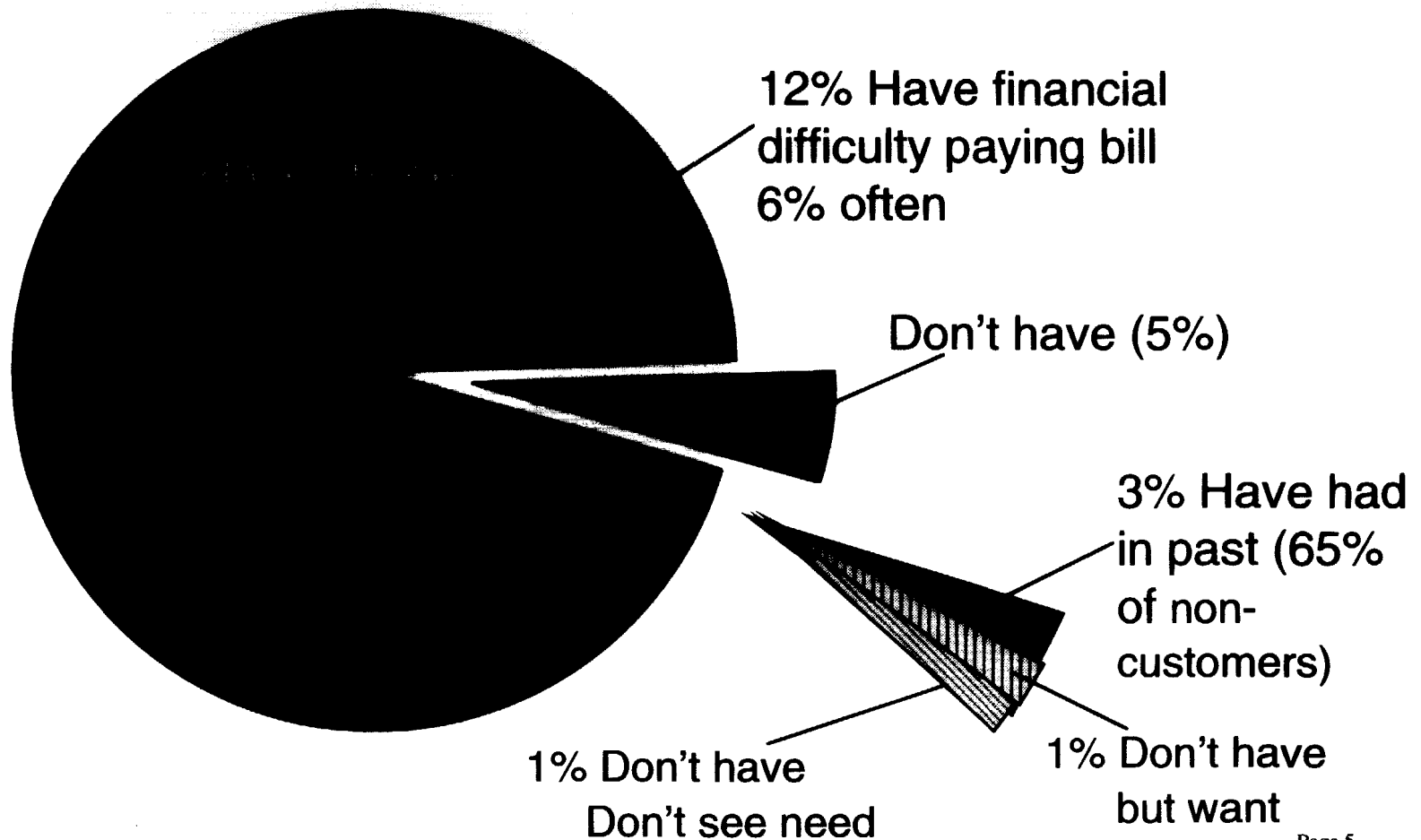
Affordability Study

- Study addressed the affordability of service and why households are without telephone service
- Study completed by Pacific Bell & GTE-C at the request of the CPUC at a cost of \$1M. Research conducted by Field Research Corp

Conclusions:

- Non-customers include many who have recently had service but lost it due to unpaid balance owed
- Non-customers are knowledgeable about how to get service and the cost of service
- To increase penetration rates in and out movement (retention) must be addressed

Importance of Retention for Improving Penetration Rates



FOUR KEY BARRIERS TO INCREASING SUBSCRIBERSHIP

- **Call Control**
- **Debt Management**
- **Mobility**
- **Unserved areas**

'AT RISK' CUSTOMERS/ NON CUSTOMERS HAVE DIFFICULTY CONTROLLING CALLS

Alternative Solutions using Long Distance Restriction Services:

- Toll Restriction/Toll Blocking
- Pre-paid Calling Cards
- Quick Dial Tone for Emergency Access
- Billed Number Screening
- Information Call Services Blocking
- Advance Notice on Toll

TOLL RESTRICTION/TOLL BLOCKING

- Blocks customers from completing billable toll calls from their residence or business lines
- Form of security in lieu of deposit
- Types of calls completed:
 - Local calls, Zone 1 & 2
 - 800 Calls
 - 911, 611 and 411
- If imposed as a collection tool will have no associated cost to the customers for six months
- Toll blocking that is ordered as a product will have a recurring charge of \$2.00/month

'AT RISK' CUSTOMERS/ NON CUSTOMERS HAVE DIFFICULTY WITH DEBT MANAGEMENT

Alternative Solutions:

- Payment Arrangements
- Toll Restriction
- Pre-paid Calling Card
- Improved Customer Management processes

'AT RISK' CUSTOMERS/ NON CUSTOMERS ARE HIGHLY MOBILE

Alternative Solutions:

- Reduced installation rates; expand Link-Up assistance
- Innovative Voice Mail applications:
 - La Cooperativa Campesina
 - Weingart Center & Salvation Army trial
- Pre-paid Calling Cards
- Pagers

Extending Telephone Service to Unserved Areas

- Pacific Bell supports BETRS* having more spectrum. 450 Mhz range currently shared with paging
 - Co-primary sharing by BETRS & air-to-ground radio telephone service
 - BETRS - own frequency block
- With expansion of BETRS, Subscriber Loop Carrier Systems could help serve more customers

BETRS - Basic Exchange Telecommunications Radio Service

Drawbacks of Prohibition on Disconnection of Local Service

- Reduces the customer's responsibility for payment of account and incentive to utilize toll blocking. Likely that customers will ultimately default on local charges
- Net bad debt increases
- Cost of upgrading billing systems. Increased customer contact time
- LECs may lose billing for IECs therefore customers lose the consolidated bill format
- Some collect calls & interstate bill-to-third number calls can still be completed

Recommendations and Conclusions

- We need flexibility to work with the state and community groups to continue to develop services that meet the needs of customers in California. Rely on competition to extent possible
- FCC should focus on root causes not effects. Prohibiting disconnect addresses effect. Toll Restriction addresses root cause
- Subscribership programs, where needed, should be targeted and compatible with market conditions i.e. explicit, broad-based, with competitively neutral funding e.g.Link-Up, schools

Affordability of Telephone Service

A Survey of Customers and Non-Customers

conducted by

Field Research Corporation

PACIFIC  **TELESIS**
Group

jointly funded by

GTE and Pacific Bell

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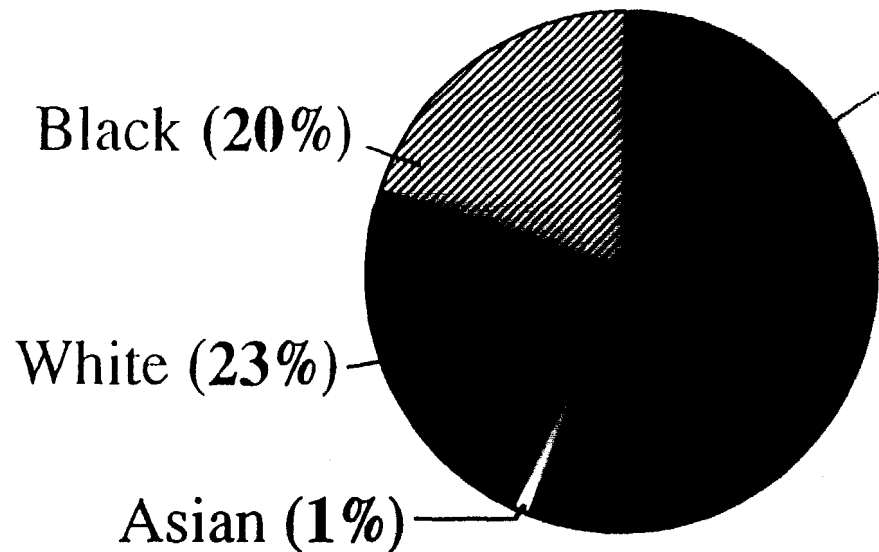
California Public Utilities Commission

Leo Avila	American GI Forum	Modesto
Marla Scharf	California Dept. of Consumer Affairs	Sacramento
Cheryl Jacobsen	California/Nevada Community Action Assoc.	Sacramento
Irene Pham	The Cambodian Family, Inc.	Santa Ana
Rod Wright	Congresswoman Maxine Waters	Los Angeles
Anna Alvarez-Boyd	Consumer Action	San Francisco
Ken McEldowney	Consumer Action	San Francisco
Shelley Bergum	Deaf & Disabled Telecommunications Program	Oakland
Ibrahim Naeem	Diversity Consultant	San Diego
Dolores Sanchez	Eastern Group Publishing	Los Angeles
Tommy Fulcher	Economic & Social Opportunities Inc.	San Jose
Pablo Jasis	Hispanic Consumer Advocate	Oakland
Doua Vang	Hmong Council	Fresno
Sylvia Gonzalez	International Institute of Los Angeles	Los Angeles
Bong Hwan Kim	Korean Youth & Community Center	Los Angeles
Marina Pineda	La Raza Centro Legal	San Francisco
Shannon Reeves	NAACP	Los Angeles
Anni Chung	Self Help for the Elderly	San Francisco
Audrie Kraus	TURN	San Francisco
Irene Putnam	Union of Pan Asian Communities	San Diego
Terry Grey	ULTS Trust Fund	Oakland
Quang Pham	Vietnamese Community of Orange County, Inc.	Santa Ana

Non-Customer Survey: Overview of Design Plan

- *S.F. Bay Area, L.A./Orange, San Diego, Fresno, Sacramento*
- *Block Clusters with less than 90% penetration identified*
- *250 Block Clusters selected using systematic random sampling*
- *In each Block Cluster, interviewers listed 60 households, attempted to interview all non-customers (17,215 households in total)*
- *For every non-customer interviewed, the next available customer of the same ethnicity was interviewed*
- *Interviewed 571 Non-customers, 566 Matched Customers*

Characteristics of Non-Customers

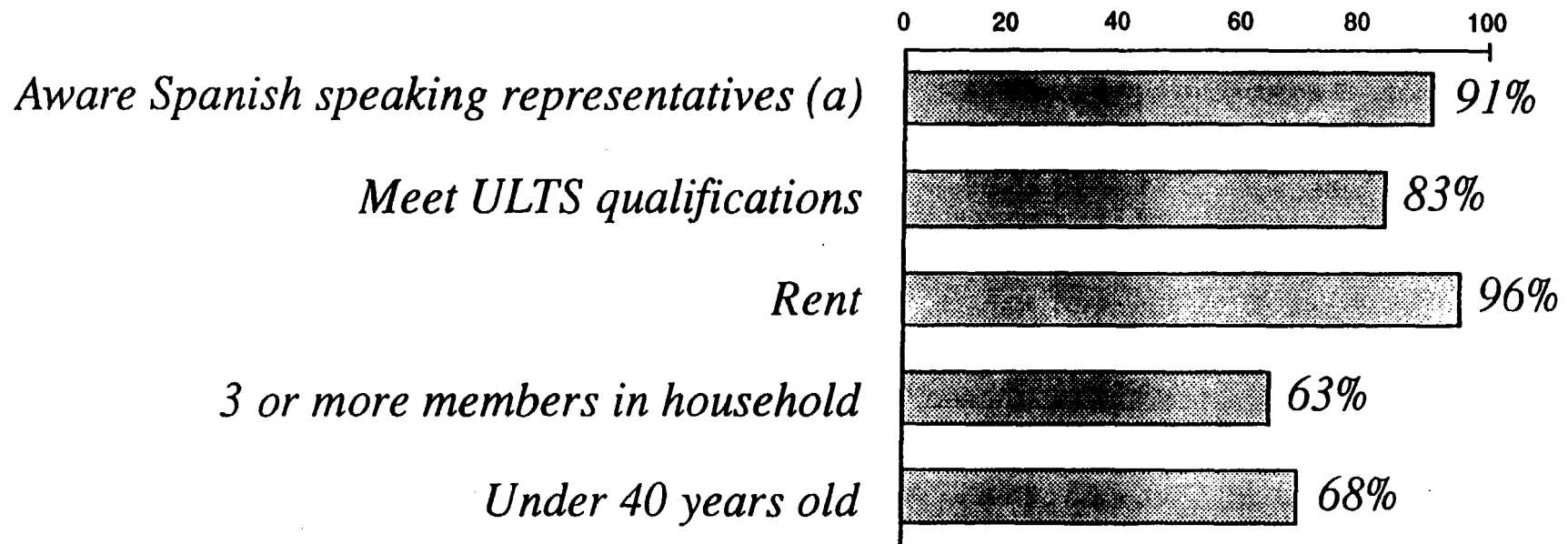


Hispanic (56%)

Prefer Spanish 65%

Prefer English 17%

No preference 17%

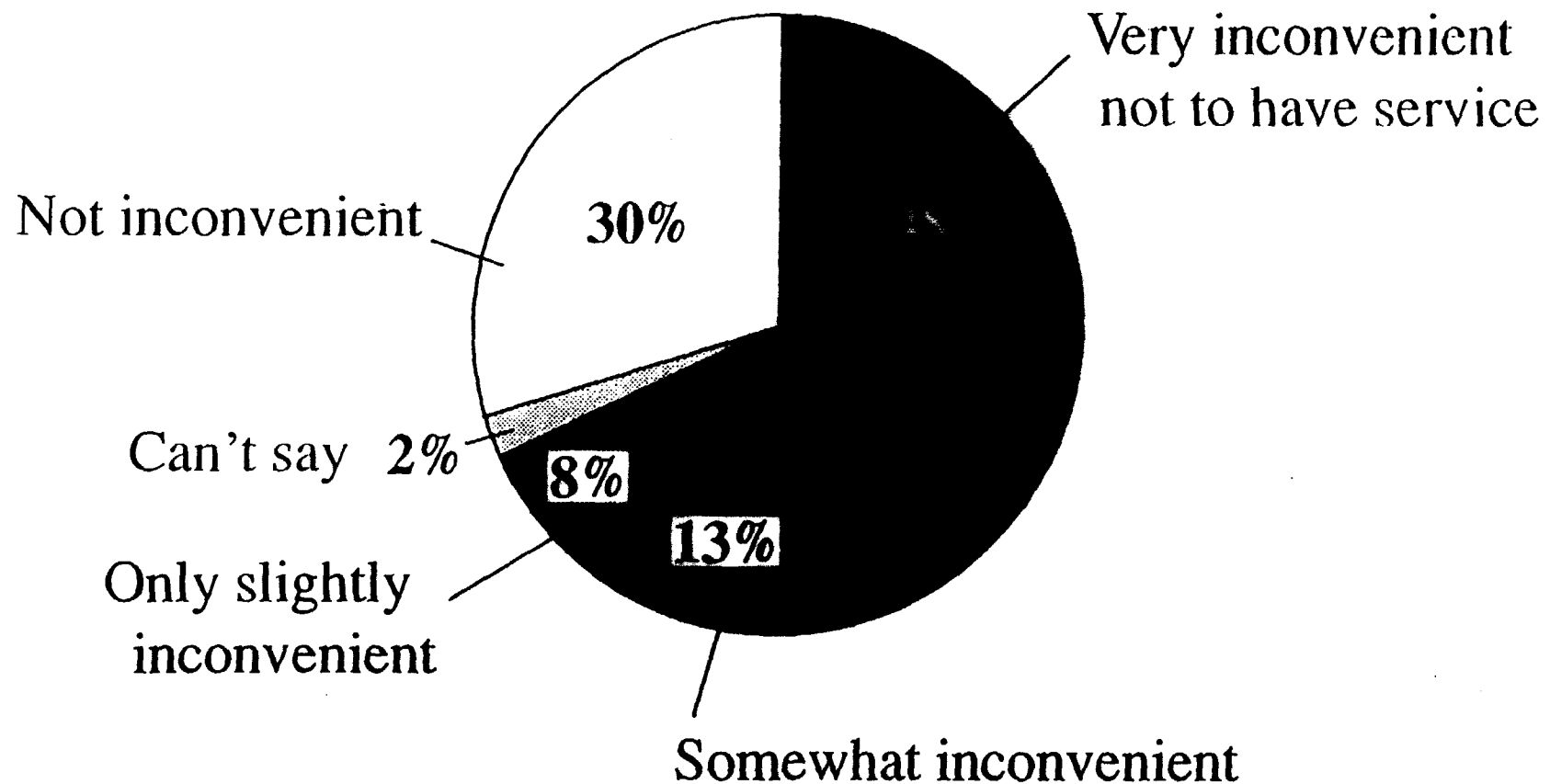


(a) among Hispanics

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Attitude toward Not Having Phone Service

- *Most, but not all, non-customers find it inconvenient*

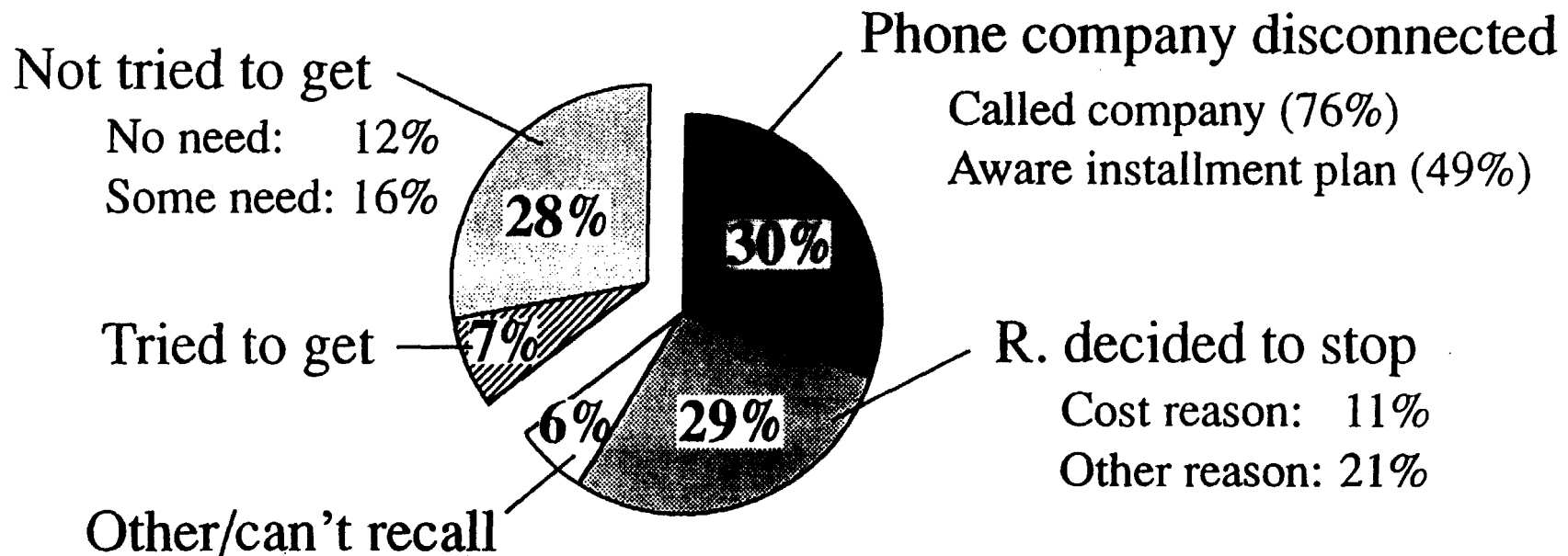
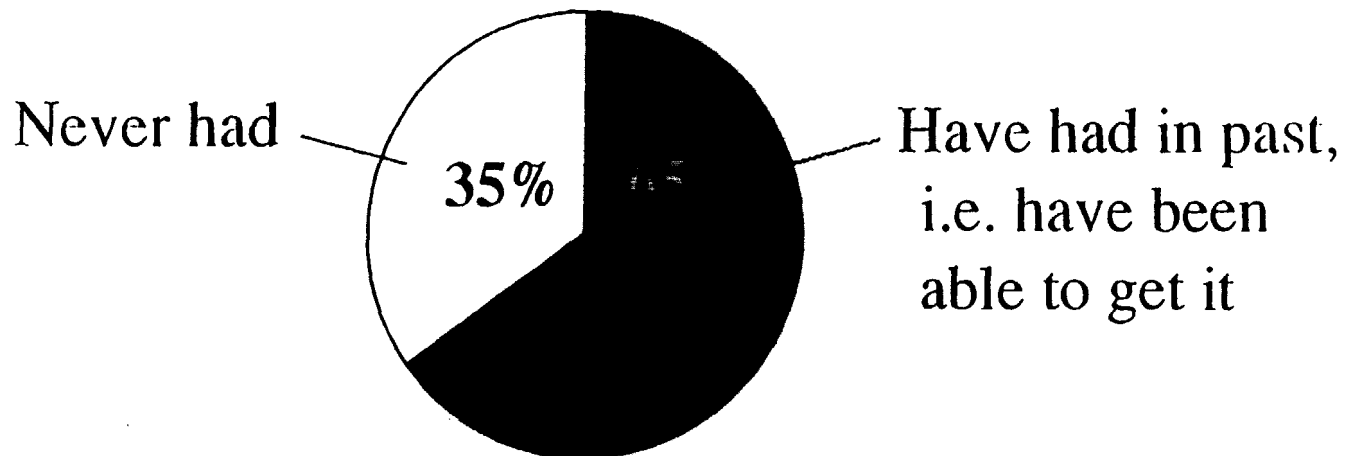


Telephone Usage Patterns of Non-Customers

	<u>Very Inconvenient</u>	<u>Slightly/ Somewhat</u>	<u>Not Inconvenient</u>
<i>Usually use —</i>			
Public, pay phone	71%	67%	54%
Friend, neighbors' phone	33	38	32
Average # calls/week	10	6	8
Average # pay phone calls/week	8	3	2
Median \$/month	\$7	\$5	\$3
<i>In emergency, nearest phone —</i>			
In same building	34	49	48
Elsewhere	65	48	47
Median minutes to reach	4	2	2

Past Experiences with Phone Service

Non-customers



Reasons Don't Have Phone Service (Non-Customers)

- Analysis of 17 Specific Reasons*

	<u>Non- Customers</u>
Cost related reasons	56%
Trouble controlling calls	35
No need for it	27
Fear/worry/discomfort calling phone company	11

What Affects Perceived Affordability?

- Perceptions of cost more so than income affect perceived affordability

	Think phone service would be —		
	<u>Very easy to afford</u>	<u>Somewhat easy</u>	<u>Difficult</u>
<i>What non-customers think it would cost —</i>			
Total monthly bill (average)	\$32	\$41	\$56
To start service (average)	\$49	\$64	\$61
Believe deposit is required	<u>54%</u>	<u>60%</u>	<u>70%</u>
Average amount	\$59	\$78	\$78
Cost of phone itself (average)	\$43	\$30	\$39
<i>Household income</i>			
\$15,300 or less	64	68	66
Meet ULTS qualifications	81	83	84
Employed	42	41	28

Awareness of ULTS

	<u>Low Telephone Penetration Areas</u>	
	<u>Matched customers</u>	<u>Non-customers</u>
<i>Heard of something called Universal Lifeline Telephone Service?</i>		
Yes (know by name)	61%	40%
Yes, but cannot describe	9	14
Not heard of	32	46
<i>Aware special service for lower income households?</i>		
Yes (know by generic)	12%	NA
Total "know of" service	73%	40%-58%

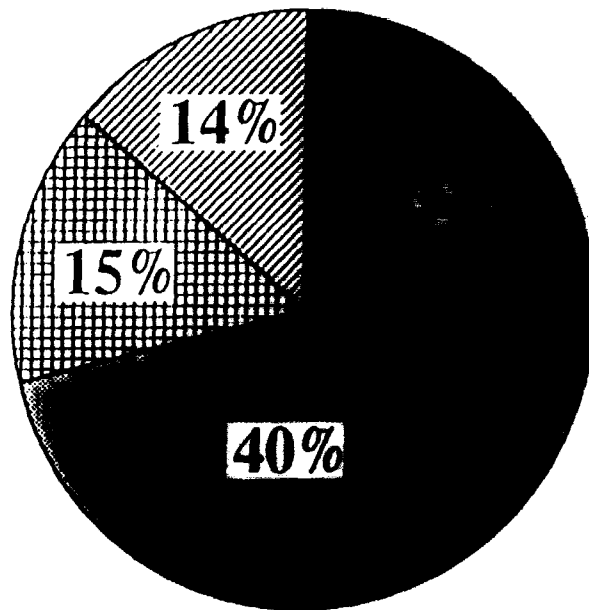
NA = Not available. Not asked due to clerical error in final proofing of questionnaire.

Reactions to ULTS (after Described in Detail)

- Knowledge of ULTS increases affordability*



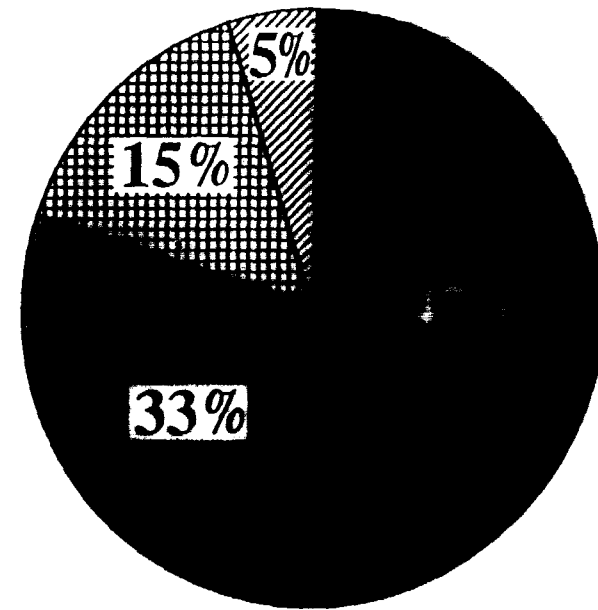
Before ULTS



Expected bill:

Median \$28

After ULTS



Expected bill:

Median \$19

(base = those who qualify for ULTS)

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